

The Curious Case of Benjamin Budget

Once there was an old and penniless man named Benjamin who ignored the lessons of his youth. His father was fond of saying, "mind your budget boy." But what was a budget and how do you mind it?

A budget is a monetary expression of your income and expenses. That is the definition but how do you achieve it? Formulate a budget with a goal in mind and work toward that goal. Determine all of your sources of income and all of your expenses. The excess of the above will be your savings. Now, let these savings work for you.

A savings account is a place where money is put for safekeeping, often a bank. It gains interest over time, adding to the initial balance. Savings accounts are safe and stable; however the investment returns are low. You can also buy stocks, which is ownership in a company, or lend money to a company in the form of bonds. These financial instruments can potentially offer higher investment returns but, your initial investment is at risk.

Next, Benjamin thought about his expenses. Oh, this was his down fall. He used credit cards that allow you to buy now and pay later and debit cards that take the money right out of your checking account. Carefully tracking your spending and comparing it to your planned expenses is the key to staying on budget.

Benjamin awoke from his dream; he was not an old and penniless man. Benjamin realized that knowing the terms and definition of finance was important but applying this knowledge is even more powerful. So he went about his day always thinking of his father's advice - mind your budget boy!